

RICHARD J. DURBIN
ILLINOIS

COMMITTEE ON APPROPRIATIONS

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COMMITTEE ON RULES
AND ADMINISTRATION

ASSISTANT DEMOCRATIC
LEADER

United States Senate
Washington, DC 20510-1304

332 DIRKSEN SENATE OFFICE BUILDING
WASHINGTON, DC 20510-1304
(202) 224-2152
TTY (202) 224-8180

230 SOUTH DEARBORN, 38TH FLOOR
CHICAGO, IL 60604
(312) 353-4952

525 SOUTH EIGHTH STREET
SPRINGFIELD, IL 62703
(217) 492-4062

701 NORTH COURT STREET
MARION, IL 62959
(618) 998-8812

durbin.senate.gov

May 25, 2005

Honorable David S. Chu
Undersecretary of Defense for Personnel and Readiness
4000 Defense Pentagon
Washington, D.C. 20301-4000

Dear Dr. Chu:

The Government Accountability Office has recently completed at my request two studies regarding personal financial management issues facing America's servicemembers. I urge you to give each of these evaluations your careful review and take steps to promptly implement the recommendations. I also strongly encourage you to improve the Department of Defense's education of our troops about their rights under the Servicemembers' Civil Relief Act.

The first report, GAO-05-348, recommends specific actions that the Department of Defense (DOD) should take to address servicemembers' personal financial management issues. I particularly ask you to improve our troops' ability to communicate with creditors and to establish a requirement that the Services conduct results-oriented evaluations of the financial management training they are delivering.

I share GAO's concerns about the absence of evaluative and reporting requirements in the Personal Financial Management instructions that DOD issued in November 2004, and the Services' lack of monitoring to determine whether required financial management training is actually received by the servicemembers. As GAO emphasizes, if training completion is not tracked, it will be impossible to determine whether the desired outcome of training—improved financial behavior—is being achieved. I would appreciate knowing how you plan to incorporate appropriate methods to monitor training delivery.

The second report, GAO-05-349, points out that DOD's tools for protecting our troops from predatory lenders have not been fully utilized. Unscrupulous companies are specifically targeting our troops with military-focused advertising and then ripping them off with exorbitant interest rates through so-called payday loans, rent-to-own loans, automobile title pawns and tax refund loans. Please strengthen the ability of Armed Forces Disciplinary Control Boards to place such predators off-limits to troops. Additionally, stronger advertising requirements and disclaimers in installation newspapers and similar publications will help service members be better informed about such practices. Further, I would add that information about potentially predatory lending practices should be a prominent part of the Department's Personal Financial Management Program.

I note that your response to GAO referenced the Servicemembers Civil Relief Act (SCRA). News reports include numerous incidents of troops incurring unnecessary financial strains at the hands of creditors. It is clear that members of the Armed Forces need a better understanding of the protections afforded them under SCRA so they can fully exercise their rights. I ask that you expand attention to this subject in your existing Financial Readiness Program and explore further means of educating our troops on their SCRA rights.

While the Department's Personal Financial Management Program has been an important source of training and information for service members and their families, GAO offers some useful ways for DOD to enhance these initiatives.

I would appreciate hearing your specific plans and timetable for implementing these improvements and thereby further securing the personal financial welfare of our troops. I look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Dick Durbin", written in a cursive style.

Richard J. Durbin
United States Senator